FASAB

Federal Accounting Standards Advisory Board

January 30, 2008

Memorandum

To: Members of the Board

From: Penny Wardlow, Consultant

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: **Conceptual Framework: Measurement Attributes for Financial Statements[1] —TAB C**

MEETING OBJECTIVES

1a. To review the IASB/FASB's conclusions in "Milestone I" of their joint project on measurement attributes. (See Summary Report in Attachment 1.)

1b. To decide whether the attributes the IASB/FASB have identified and defined in Milestone 1 (see Attachment 1, Appendix C) form an appropriate foundation for the FASAB's project on measurement attributes for federal financial statements. Staff is seeking Board decisions regarding six related issues and recommendations presented in this memo.

2. To approve a work plan for the project. (See Attachment 2.)

BRIEFING MATERIAL

Attachment 1: "Conceptual Framework Project. Phase C: Measurement. Milestone I Summary Report—Inventory and Definitions of Possible Measurement Bases," prepared by IASB/FASB project staff

Attachment 2: Proposed project work plan for FASAB's conceptual framework project on measurement attributes.

[1] The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

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BACKGROUND

Scope of the project: At the December 2007 meeting, the Board decided that the project should focus, at least initially, on defining measurement attributes and their features of items that are candidates for recognition in the financial statements or disclosure in the notes. This decision does not preclude consideration of measurement attributes for required or other supplementary information as well as consideration of inflation-adjusted vs. nominal-dollar measurement methods later in the project, if these additions become advisable.

IASB/FASB CONCLUSIONS IN MILESTONE I OF THEIR PROJECT

The December FASAB staff paper included an overview of the IASB/FASB project, its objectives and structure, and the conclusions reached in Milestone I at the April 2007 joint meeting of the two Boards.

The project has three Milestones, the objectives of which are summarized on page 3 of the Summary Report (Attachment 1):

- *Milestone I—Inventory and Define Possible Measurement Bases*[2] (completed, with tentative Board decisions, April 2007)
- *Milestone II—Evaluate Measurement Basis Candidates* (deliberations began December 2007)
- *Milestone III—Draw Conceptual Conclusions and Address Practical Issues*

The issues the IASB/FASB have addressed or plan to address in each Milestone are listed in Appendix A, pages 8 and 9 of the Summary Report.

In this memo, FASAB staff will focus on the two Boards' conclusions in Milestone I, especially the measurement attributes identified and their definitions, which are included in Appendices B and C, pages 10 through 24 of the Summary Report. The memo includes FASAB staff discussion, questions for the Board, and staff recommendations at the end of each issue.

Staff recommends that the members read the Summary Report, including the list of candidates for measurement attributes and their definitions, before reading the rest of this memo.

Staff comments on the conclusions in the Summary Report use Issues 1 through 5 listed under Milestone I (Summary Report, p. 8) in the same order.

[2] The IASB/FASB use the term "measurement basis," rather than "measurement attribute." The meanings generally are equivalent.

Milestone I, Issue 1: What are the measurement basis candidates?

The Report lists nine candidates, grouped according to their relation to past, present, or future events:

Past:
1. Past entry price
2. Past exit price
3. Modified past amount

Present:
4. Current entry price
5. Current exit price
6. Current equilibrium price
7. Value in use

Future
8. Future entry price
9. Future exit price.

The intent of the IASB and FASB is that the measurement attributes they adopt should have unique meanings. Appendices B and C to the Report indicate that most of the candidates tentatively adopted in Milestone I have variants, most frequently "without related prices" and "with related prices," and separate definitions are offered for each variant. The variants listed and defined in Appendices B and C have the advantage of isolating different possible interpretations of the primary attribute and thus avoid or reduce confusion. On the other hand, they lengthen the list of attributes and complicate the work of assessing the features of the different attributes, their pros and cons in financial reporting, and measurement methods. The Boards have indicated (p.4) that they intend to focus on the primary measurement attribute rather than the variants during the remainder of the project. FASAB staff will return to the issue of whether all the variants are needed under Issue 5 later in this memo.

As noted on p. 5 of the Report, historical cost and fair value are not mentioned. The reason given is that the IASB and FASB believe there is no common understanding of the two terms. However, they acknowledge in the Report that basis candidates 1 through 3 together constitute the notion of historical cost and candidates 4 through 7 encompass the notion of fair value.

FASAB literature also suggests that there may be different meanings accorded to a particular term, as well as more than one term with essentially the same meaning. For example, SFFAS 3 refers to both "historical cost" and "acquisition cost" without distinguishing between them. The Glossary (p. 1526) defines "historical cost" as:

> Initially, the amount of cash (or its equivalent) paid to acquire an asset;

> subsequent to acquisition, the historical amount may be adjusted for amortization.

Based on this definition and without further information, someone who encounters the term “historical cost” in a text would not know whether it means the initial cost or the subsequent amortized cost of an asset, and also would not know whether related costs, such as transportation and installation costs, are or are not included in the term. The Glossary does not define “acquisition cost” per se, but it does define “latest acquisition cost” (p. 1530) as including “all amounts, except interest, paid to a vendor to acquire an item.” This seems to be the same as historical cost, but including some related costs and excluding subsequent amortization. However, the location of “latest acquisition cost” in the Glossary suggests that the definition may be included only as an explanation of the definition of “Latest Acquisition Cost (LAC) Method” on the same page. That definition is descriptive of a measurement method and a standard, rather than a measurement attribute.

Similarly, the term “fair value” may be subject to different interpretations. The Glossary defines “Fair Value (Or fair market value)” (p. 1520), which suggests that the two terms are equivalent:

> Value determined by bona fide bargain between well-informed buyers and sellers, usually over a period of time; the price for which an [sic] PP&E item can be bought or sold in an arm’s length transaction between unrelated parties; value in a sale between a willing buyer and a willing seller, other than in a forced or liquidation sale; an estimate of such value in the absence of sales or quotations.

This definition in itself suggests that there may be more than one interpretation of the term. In addition, the Glossary (p. 1532) contains a separate definition of “Market Value,” which would suggest that it is different from “fair value” and from “fair market value.” The definition of “market value” is:

> (1) The estimated amount that can be realized by disposing of an item through arm’s length transactions in the marketplace; the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time. (2) For investments in marketable securities, the term refers to the value of such securities determined by prices quoted on securities exchange markets multiplied by the number of bonds or shares held in an investment portfolio.

This definition does refer to the “marketplace” and “markets,” whereas the definition of “fair value (or fair market value)” does not. However, only the second part of the definition clearly refers to a formal established market. In the first part of the definition, “marketplace” could be the market formed by any transaction between a willing buyer and a willing seller and thus be equivalent to the definition of fair market value (although that may not have been the intent when the definitions were written).

Staff is referring to the FASAB Glossary definitions not to criticize them but to suggest and illustrate that the IASB and FASB's decision not to adopt the terms "historical cost" and "fair value" as measurement attributes would be a good decision for FASAB also, because both terms encompass various interpretations.

Question 1:

a) Does the Board agree that the FASAB should *not* adopt "historical cost" or "fair value" as measurement attributes, but rather should adopt different terms (the IASB/FASB's terms or other terms) for the principal possible meanings of "historical cost" and "fair value"?

b) If the Board does not agree, should the Board consider developing in this concepts statement more precise definitions of "historical cost" and "fair value" than exist in current standards and practice?

Staff recommends alternative a). To develop new definitions of "historical cost" and "fair value" could create confusion for preparers, auditors, and users because of the existing definitions and their variants in current standards and practice. The definitions in FASAB standards and the Glossary would need to be changed in due course, which could take many years. The approach of developing in the concepts statement specific terms for the various meanings of "historical cost" and "fair value," and indicating for which terms "historical cost" or "fair value" is an appropriate synonym, is more likely to produce useful guidance for the FASAB in setting future standards.

Milestone I, Issue 2: How are the measurement bases defined?

Two definitions are proposed in Appendix C for each basis, one from the perspective of assets and another from the perspective of liabilities. The definitions also are slightly different as appropriate for each variant (e.g., "without related costs" or "with related costs"). The Boards indicated (p. 5) their intent that the definitions should emphasize the concepts behind the different bases, without regard to how the bases may be measured.

Question 2:

Does the Board agree that the various possibilities for measuring an attribute should not influence how the attribute is defined?

Staff recommends agreement. How an attribute (basis) may be measured should not affect the definition of the attribute.

An important issue that is not discussed in the Summary Report is whether the definitions of the measurement bases are acceptable. Staff believes that some simplification may be possible. For example, in the asset and liability definitions of "past entry price without related prices," it would be simpler to say, respectively, "The price that an entity paid in the past . . ." (instead of "would have had to pay in the past") and "The price that an entity received in the past . . ." (instead of "would have received in the past"). Also, it may be useful to change some of the examples or add examples appropriate for the federal reporting environment. However, **staff recommends** that the precise wording should be considered at a later date, after agreement is reached on the list of candidates. (Staff returns to the list of candidates under Issue 5 below.) For now, staff believes the definitions are clear and appropriate for each basis.

Milestone I, Issue 3: What are the basic properties of the measurement bases?

Issue 3a. How does each basis relate to prices and values, the building blocks of economic decisions?

As discussed on p. 6 of the Report, the IASB and FASB agreed that all of the measurement basis candidates except "modified past amount" are either prices or values and, as noted earlier, each candidate primarily provides information about a specific time frame—past, present, or future. Seven of the nine candidates are prices, one ("value in use") is a value, and one ("modified past amount") is neither.

The Boards explain the significance of price and value and the difference between them as follows (p. 6):

> Both price and value are assessments of economic utility or worth. However, *values* are specific to an individual or entity, whereas *prices* are determined by markets and may not reflect the economic worth of an asset or liability to any one individual or entity. Because prices and values are basic components of economic decisions, the Boards agreed that it would be helpful to identify whether the basis candidates were prices, values, or neither.

The Report does not explain why the Boards thought it necessary to articulate a distinction between prices and values. However, an IASB/FASB staff paper prepared for a joint meeting of the Boards in October 2006 includes a discussion of the issues. In that paper, the staff explains that "in economics, *value* is an assessment in monetary terms of the worth of a good or service to an individual relative to the worth of other goods or services." (A footnote explains that the paper uses the economic term "good" to mean "asset" in the accounting sense and therefore it includes intangible items, including rights, as well as tangible items.) The IASB/FASB staff points out that "value" in that sense is subjective, based on a particular individual's utility for that good or service. The staff also points out that the term "value" is widely used in accounting but not always in the economic sense. For example, *investment value* and *value in use* are examples of "legitimate economic use of the term value" (p. 2). In contrast, *current value* and *fair value* may not necessarily refer to something that truly is a value, and *book value*, *entry value*, and *exit value* "are accounting concepts that do not describe values at all."

The same paper defines "price" as "the amount of money sacrificed in exchange in order to purchase a good or service" or, because an exchange involves at least two parties, "the amount of money received in exchange on the sale of a good or service." (pp. 2-3). In further explanation of the difference between "value" and "price," the staff paper states:

> In contrast to values, which are subjective, prices are objective. They may result from interaction between marketplace participants with different, subjective values for the good or service exchanged but the result is something objective and observable, at least by the parties to the exchange and perhaps to others if information about the exchange is made public.

The staff also points out that some monetary amounts labeled "price" are not prices. In the staff's view (p. 3, emphasis in the original):

> . . . a price is not a price until it has been **transacted**. **Quoted** prices, such as bid and ask prices, or advertised retail prices, are **values** of those who set them. Quoted prices represent amounts at which economic actors would like to transact business, but at the time of the quote they remain untransacted and subject to change. Other amounts labelled *price* that lack the objectivity of transacted prices include **estimated** prices and **hypothetical** prices.

The staff adds that the term "price" is not used as widely in accounting as the term "value," but there nevertheless appears to be "some confusion in discussions of prices as measurement bases."

The October 2006 paper includes additional discussion of "entry and exit prices" vs. "entry and exit values." Briefly, the staff explains the distinction but points out that "entry and exit values" may be used to indicate inclusion (entry) or exclusion (exit) of related costs, but often are used as synonyms for "entry and exit prices". The staff recommends not using the terms "entry value" and "exit value."[3] As indicated by the list of measurement basis candidates in Appendix B, the suggested resolution is to define "Past entry price" and "Past exit price" (a) without related prices and (b) with related prices.

FASAB staff does not disagree with the conclusions concerning "price" versus "value" Staff also is sympathetic to the objective of clearly distinguishing terms with different meanings and not using such terms interchangeably, especially when establishing concepts. However, staff wonders whether a full discussion of "price" vs. "value" (i.e.,

[3] A copy of the October 2006 paper will be circulated to the Board if members would like to read it.

something beyond the definitions) will be useful in the FASAB's project and eventual concepts statement, especially if almost all the measurement attributes adopted include "price" in the name, as is the case with the IASB/FASB's proposed list. An additional, though different, consideration is the IASB/FASB staff's admission in their April 2007 paper that "current equilibrium price" and the two future prices are or may be subjective. They state (p. 7) that:

> The concept of a current equilibrium price as defined in the staff's measurement basis inventory is of something hypothetical, as the market conditions described in its definition do not exist. Furthermore, many future entry and exit prices are forecasts, and are therefore as subjective as values.

If the Board wishes staff to pursue the issue of price vs. value further, there are two aspects that are not addressed in the IASB/FASB work but perhaps should be considered. The IASB/FASB may be concerned about objective (price) vs. subjective (value) terms because their jurisdiction—primarily the business sector—comprises multiple entities. Subjectivity in the choice of measurement bases could be detrimental to consistency and comparability of reporting like transactions. The FASAB, however, is concerned with a single entity—the federal government—so that the issue of subjectivity versus objectivity may be viewed in a different light.

Secondly, FASAB staff has not found any discussion of nonexchange transactions in the Summary Report (or earlier IASB/FASB papers that the staff has read). "Non-exchange liability" is referred to in part (2) of the liability definition of "past entry price without related prices" in Appendix C (p. 11), in the liability definition of "current entry price without related prices" (p. 17), and in the liability definition of "future entry price without related prices (p. 22). Part (2) of the liability definition of "past entry price without related prices" is: "an amount imposed in the past for incurring a non-exchange liability." However, this definition is inconsistent with the definition of "price" as "the amount of money sacrificed in *exchange* in order to purchase a good or service" or "the amount of money received in *exchange* on the sale of a good or service." (pp. 2-3 of the Summary Report, emphasis added). Perhaps consideration should be given to using the term "value" instead of "price" for nonexchange transactions.

Question 3a:

a) Does the Board believe that a distinction between "price" and "value" similar to that adopted by the IASB/FASB should be included and explained in the eventual concepts statement on measurement?

b) Is "price" an appropriate basis for all transactions or should "value" be considered for nonexchange transactions?

Staff recommendation: Staff believes that all terms used in the concepts statement should be clearly distinguished and defined and should not be used interchangeably. The distinction between "price" and "value" that the IASB and FASB have made would serve that end. However, if the FASAB takes that approach, the Board should discuss the issues of subjectivity vs. objectivity of terms and exchange vs. nonexchange transactions in the context of federal government reporting, and should consider whether the definitions of “price” and/or “value” should be adapted for the federal reporting environment.

Issue 3b. What is the basic time orientation of each measurement basis?

The IASB/FASB grouped their proposed measurement bases into past, present, and future, as shown in Appendix B of the Report. The names or labels given to each measurement basis generally indicate the time orientation of each basis. The Summary Report does not indicate why the identification of time-frame is considered important. However, the staff paper prepared for the joint IASB/FASB meeting in April 2007, at which the tentative conclusions on Milestone I were reached, indicates (pp. 7-8) that the time orientation of each basis is expected to be useful when the measurement bases are evaluated in Milestone II.

Question 3b: Does the Board have any issues or concerns at this time about the time orientation of each measurement basis?

Staff recommendation: The time-frame appears to be appropriate and could be useful in evaluating the measurement bases.

Milestone I, Issue 4: Are the measurement bases appropriate for both assets and liabilities?

Question 4: (pp. 6-7 of Report) a) Does the Board agree that all of the primary measurement basis candidates should be considered from the perspectives of both assets and liabilities? b) Does the Board agree that the definitions should be the same from both perspectives, except for traditional variations in terminology, such as *acquire* an asset but *incur* a liability?

Staff recommendation: Yes to both parts of the question. Staff believes that the Board may wish to consider the effect of the measurement bases on the statement of net cost as part of its evaluation of the measurement bases in “Milestone II” or an equivalent stage of the FASAB’s project.

Milestone I, Issue 5: Should any measurement basis candidates be eliminated from consideration for evaluation in Milestone II?

Staff has recommendations for the Board on four issues.

a. **Staff recommends** eliminating "Modified Past Amount" as a separate measurement basis. The four categories listed—accumulated, allocated, amortized, combined—are all modifications of "past entry price." It would seem simpler to discuss these categories in the concepts statement as possible modifications of "past entry price." However, staff believes the four categories should be included in the evaluation of "past entry price," using the qualitative characteristics or other considerations that may clarify the pros and cons of that measurement basis.

b. **Staff recommends** simplifying "current entry price with related prices" by including in the concepts statement a discussion of the four variants: "identical replacement," "identical reproduction," "equivalent replacement," and "productive capacity replacement," rather than defining them as distinct bases or sub-bases. If definitions are preferred, it would seem simpler and more useful to combine the first three sub-bases under "replacement" and use a definition such as "The current entry price of replacing an existing asset with an identical or equivalent asset by purchase or reproduction." The fourth sub-base would be more usefully defined separately, as in Appendix C, because it refers to replacing the productive capacity of an asset rather than the asset itself.

c. **Staff recommends** retaining "value in use" as a measurement basis candidate until it has been evaluated using the qualitative characteristics. However, staff is unsure whether "value in use" is a measurement basis. The first sentence of the separate asset and liability "value in use" definitions: "The value that an entity places on its own asset/liability," taken by itself, may be considered as defining an attribute. However the remainder of the definitions refers to a measurement method. This conclusion is supported also by the synonyms provided, e.g., "discounted value of future cash flows" and "present value," which at one time were considered attributes but currently are generally viewed as measurement methods. For example, the FASB states in its Concepts Statement 7:[4]

> 25. The only objective of present value, when used in accounting measurements at initial recognition and fresh-start measurements, is to estimate fair value. Stated differently, present value should attempt to capture the elements that taken together would comprise a market price if one existed, that is, fair value.

d. As staff noted earlier, under Issue 3a, the IASB/FASB staff expressed in their April 2007 paper (p. 7) some reservations about including "current equilibrium price," "future entry price," and "future exit price" in the list of measurement basis candidates. The concern about "current equilibrium price" is that it is "hypothetical, as the market conditions described in its definition do not exist." The reservation

[4] Statement of Financial Accounting Concepts No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements* (issued February 2000).

about future entry and exit prices is that often they are forecasts and “are therefore as subjective as values.” The staff took the position—and the two Boards agreed—that these issues should be considered further in the evaluation of the measurement bases, but that the simple classification of prices and values developed by the staff (and included in the Summary Report) was sufficient for the Boards and staff to proceed to the evaluation stage (Milestone II).

Staff recommends that all three measurement bases be retained as candidates for the moment. “Current equilibrium price” should be considered further in the evaluation process. However, “future entry price” and “future exit price” are beyond the initial scope of the FASAB’s project, which the Board decided at the December meeting should focus, at least initially, on the financial statements and notes. If the Board decides later in the project—or in a subsequent project—to consider measurement attributes for required and other supplementary information, that would be the time to include “future entry price” and “future exit price” in the candidates for measurement attributes.

Question 5:

a) Does the Board agree with recommendation 5a?

b) Does the Board agree with recommendation 5b?

c) Does the Board agree with recommendation 5c?

d) Does the Board agree with recommendation 5d?

Issue 6: Should the FASAB add any measurement basis candidates?

Staff found the following terms in existing FASAB statements. Some of them are defined in the statement and some are not. Some but not all are defined in the Glossary.

- Acquisition cost
- Amortized acquisition cost
- Face value or par value
- Fair value and fair market value
- Historical cost
- Latest acquisition cost
- Market value
- Net realizable value
- Replacement cost

There may be more potential candidates that the staff has not yet found. Staff also found a number of terms that may be considered measurement methods rather than attributes, e.g., lower of cost or market, present value, expected value, nominal dollar, and constant dollar.

Many, perhaps all, of the above potential candidates for measurement attributes could be fit into the IASB/FASB list of candidates, albeit their definitions might change. Some of the potential candidates are duplicates, e.g., acquisition cost and historical cost (but not latest acquisition cost). Some of the definitions in the Glossary are similar to the IASB/FASB definitions; others include variants in a single definition, e.g. the definition of historical cost (Glossary, p. 1316) includes the initial amount paid to acquire an asset and also allows for subsequent amortization.

Question 6:

Should the Board consider whether any terms in the FASAB literature should be added to the list of candidates for measurement attributes?

Staff recommendation: Staff has provided a brief discussion of FASAB definitions of historical cost and fair value under Issue 1 of this memo and has recommended (p. 5) against the inclusion of these terms in the list of candidates for measurement attributes. They are incorporated into other terms used by the IASB/FASB. Staff believes that if the Board wishes to consider adding certain FASAB terms to the list of candidates (or substituting FASAB terms), the Board needs more information about those terms and how they are defined or used in the FASAB literature before a decision can be made. If the Board wishes to pursue this issue, staff will work on it for the April meeting.

STAFF RECOMMENDATION ON MEETING OBJECTIVE 1b:

Staff believes that the measurement attributes that the IASB/FASB have identified and defined in Milestone 1 (see Attachment 1, Appendix C) form an appropriate foundation for the FASAB's project on measurement attributes for federal financial statements.

Does the Board agree? If so, and subject to possible discussion at the April meeting of possible additional attributes drawn from FASAB literature, the next step will be to evaluate the candidates for attributes using the qualitative characteristics.

Additional question: The term “measurement attribute” has been used in accounting literature in the U.S. for many decades, including by the FASB until its Statement 159.[5] The IASB and FASB have decided to use the term “measurement basis” instead, partly because standard setters and accounting professionals in many countries use that term. The FASAB members will have noticed that FASAB staff has been using both terms. Does the Board have a preference for one term or the other? The GASB will be considering this issue at its March meeting.

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[5] Statement of Financial Accounting Concepts No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* (issued February 2007)

Issue 7: Proposed work plan for the conceptual framework project on measurement attributes

Staff has provided a proposed work plan as Attachment 2 to this memo. Staff would appreciate the Board's approval of this work plan, with any changes the Board wishes to make. As the Board will understand, the work plan may change as the project progresses, as will the estimate of the time needed for each topic, but it will be helpful for the Board and staff to have a plan to follow.

One change is anticipated for the August meeting. As the Board is aware, the GASB currently has a project on recognition and measurement. GASB Chairman Bob Attmore and Director of Research David Bean have expressed an interest in a joint meeting on measurement issues between GASB and FASAB members. The precise topic has not yet been decided. After consultation with Ms. Payne and Mr. Allen, the preferred time and place are FASAB's August meeting in the GAO building.

Conceptual Framework Project
Phase C: Measurement
Milestone I Summary Report—Inventory and Definitions of Possible Measurement Bases

This report summarizes and explains the tentative FASB and IASB decisions in the first milestone of the measurement phase of their conceptual framework (CF) project. The objective of the first milestone was to inventory and define the measurement basis candidates that might be used in financial statements. This summary begins with a brief overview of the conceptual framework project in general, then explains the purpose and objectives of the measurement phase in particular, and closes by summarizing and explaining the decisions reached in the first measurement milestone.

This is the first of two reports planned for the measurement phase; the second report will explain the results of the Boards' deliberations of Milestone II, the objective of which is to evaluate the measurement basis candidates from Milestone I. Neither this report nor the one that will follow is a formal document intended to solicit public comment. The Boards will issue a discussion paper seeking formal comment on all of the tentative conclusions reached in the measurement phase in 2008 or early 2009. All references to the Boards' agreements, conclusions, or decisions should be interpreted as tentative and subject to change.

Overview

The Conceptual Framework

The *conceptual framework* establishes the system of concepts that underlie financial reporting; it provides a foundation in the form of objectives of financial reporting and characteristics of reported financial information, as well as related definitions and criteria. These concepts are the tools the Boards use in setting accounting standards; they serve as objective criteria to ensure the relevance of the information provided by standards and the consistency of accounting standards with one another.

Both the FASB and IASB have an existing conceptual framework. However, both are around 20 years old. In 2004, the Boards added to their agendas a joint agenda project to converge, refine, and update their existing conceptual frameworks and to provide additional guidance in certain areas. The goal of the project is to create a complete, common framework that both Boards will use to develop and revise their accounting standards. They are conducting the project in eight phases; "Phase C" will address a new framework for accounting measurement.

The Need to Readdress Measurement

Measurement is a critical aspect of financial reporting; however, it is also one of the most under-developed areas of the current conceptual frameworks. For example, in the FASB framework, FASB Concept Statement No. 5*, Recognition and Measurement in Financial Statements of Business Enterprises*, simply provides a list of measurement bases (or attributes) used in present practice and indicates that the use of different bases is expected to continue. Similarly, the IASB Framework merely lists examples of measurement bases that standard setters might consider.

Neither of the current frameworks provides any analysis of the strengths and weaknesses of the various measurement bases, nor do they offer any guidance on choosing among the listed bases or considering other alternatives. The overall objective of the new measurement framework is to fill in these gaps in coverage—so that standard-setters will have clear, up-to-date guidance to use in determining the measurement requirements for specific accounting standards.

The Measurement Phase

Because of the inherent complexity of measurement issues, the Boards decided to undertake the measurement phase using a building block approach, with each building block representing a separate milestone. The objectives of each milestone are explained below. Appendix A provides a list of 15 issues (five issues per milestone) that the Boards agreed to consider during their deliberations.

Milestone I—Inventory and Define Possible Measurement Bases (completed spring 2007)***:*** The objective of Milestone I was to inventory and define potentially suitable measurement bases, building off previous work—including past frameworks of the IASB, FASB, and other standards setters and other work, such as the IASB Discussion Paper, *Measurement Bases for Financial Reporting – Measurement on Initial Recognition*, issued in November 2005.

Milestone II—Evaluate Measurement Basis Candidates: In Milestone II, the Boards will evaluate each measurement basis candidate's potential to provide decision-useful information by testing each basis candidate against the qualitative characteristics of relevance, faithful representation, verifiability, comparability, understandability, and timeliness.

Milestone III—Draw Conceptual Conclusions and Address Practical Issues: The objective of Milestone III is to draw conceptual conclusions that build off the findings in Milestones I and II, and address practical measurement issues that the Boards encounter when developing standards. For example, this phase might provide guidance that the Boards can use when practical considerations prevent the straightforward application of a conceptually desirable basis. The Boards will also consider whether use of a single measurement basis would satisfy the needs of financial statement users or if some combination of bases is needed. They will also address any measurement issues remaining after Milestones I and II (and not otherwise assigned to any other phases of the project). At the conclusion of Milestone III, the Boards will construct a new framework for accounting measurement.

Summary of the Milestone I Deliberations

The following is a summary of the Boards' tentative decisions on Milestone I issues and a brief explanation of the reasoning behind them.

Issue 1: What are the measurement basis candidates?

The Boards agreed to the following set of nine measurement basis candidates:

1. Past entry price
2. Past exit price
3. Modified past amount
4. Current entry price
5. Current exit price
6. Current equilibrium price
7. Value in use
8. Future entry price
9. Future exit price.

Appendix B lists the nine measurement basis candidates, along with their variations, and classifies them according to time frame (that is, whether they provide information primarily about the *past*, *present*, or *future*). Some of these measurement bases are currently used in practice, and some are proposed (for example, *current equilibrium price*). Some of the candidates have variations, but the Boards agreed to focus on the **primary** measurement bases rather than on the variations during the remainder of the measurement phase. If a subsequent analysis suggests that a variation should be singled out, the staff can do so for that particular analysis.

While establishing the inventory of measurement bases, the staff noticed two recurring problems. The first was a language problem. The staff discovered that, in some instances, multiple terms were used to describe a single measurement basis; in other instances, one term was used to refer to a variety of different bases. These types of language problems have contributed to miscommunication and misunderstandings among the Boards, staff, and constituents in their discussions about measurement. To counter this problem, the Boards needed to develop a common language to use in their discussions. They agreed to select a set of measurement basis terms that would include all the measurement basis concepts in the original inventory—but identify only **one term** to describe **each concept**.

The second problem involved the use of measurement basis candidates in existing accounting standards. The Boards noted that the same measurement basis concept could be used differently in different standards, since a particular standard could limit the way a measurement basis candidate could be measured, estimated, or applied. Also, some standards combine the use of certain measurement basis candidates (such as the lower-of-cost-or-market rule). If the Boards accepted each particular application (or combination of measurement basis concepts) as a separate candidate, it could overburden, and unduly complicate, the evaluation process. Therefore, the Boards agreed to consider only the separate, underlying concepts as measurement basis candidates.

Some participants, as well as observers, in the Milestone I deliberations noted that the list of measurement basis candidates does not seem to fit together into a complete, logical whole. While acknowledging that the list does not seem to follow a specific pattern, the staff believes that this is somewhat inevitable: the list must be comprehensive enough to include measurement basis terms representing current practice and also those that represent longstanding alternatives. If the staff had constructed the list based on a particular theory, it likely would have eliminated some candidates from the outset. Also, the staff believes that current practice alone is so diverse that it could be not be the source of a logical list of candidates.

Two of the most talked-about measurement basis terms—historical cost and fair value—are noticeably excluded from the list. That is because there is no common understanding of those terms, and their use often leads to miscommunication and misunderstanding. Nevertheless, historical cost and fair value have not been overlooked: The measurement basis candidates relating to the **past** (*past entry price*, *past exit price,* and *modified past amount*) together constitute the notion of historical cost. Similarly, the list of candidates relating to the **present** (*current entry price*, *current exit price*, *current equilibrium price*, and *value in use*) encompasses the various notions of fair value.

Issue 2: How are the measurement bases defined?

Appendix C provides two definitions for each measurement basis candidate—one from the perspective of an asset and one from the perspective of a liability. It also provides examples and terms used as synonyms. In the case of the various entry and exit prices, the Boards agreed that the definitions should emphasize the **concepts** behind entry and exit prices, without respect to the way in which those prices may be measured. For example, the *current entry price* of an asset is defined as the price that an entity would have to pay currently in exchange for purchasing its asset. However, the way that price is measured depends on the particular situation. If an entity acquires a new asset, the current entry price may be measured by using the entity's transaction price for the asset. If the entity already owns the asset, the entry price for that asset may be measured by reference to the price paid by a third party to acquire an identical asset at the measurement date. In either case, the concept of the current entry price remains the same—regardless of the source of the transaction used to measure it.

Issue 3: What are the basic properties of the measurement bases?

The Boards have agreed that most of the measurement basis candidates are either prices or values. In addition, each candidate primarily provides information about a specific time frame—either past, present, or future.

Of the nine candidates, seven are prices (*past entry price*, *past exit price*, *current entry price*, *current exit price*, *current equilibrium price*, *future entry price*, and *future exit price*), one is a value (*value in use*), and one is neither a price nor a value (*modified past amount*). Both price and value are assessments of economic utility or worth. However, *values* are specific to an individual or entity, whereas *prices* are determined by markets and may not reflect the economic worth of an asset or liability to any one individual or entity. Because prices and values are basic components of economic decisions, the Boards agreed that it would be helpful to identify whether the basis candidates were prices, values, or neither.

In addressing the time orientation, the Boards agreed that three of the candidates (*past entry price*, *past exit price*, and *modified past amount*) relate to the past time frame, four candidates relate to the present time frame (*current entry price*, *current exit price*, *current equilibrium price, and value in use*), and two relate to the future time frame (*future entry price* and *future exit price*). In most cases, the names of the basis candidates identify the time frame; the one exception is *value in use*, which is included in the present time frame.

Issue 4: Are the measurement bases appropriate for both assets and liabilities?

During Milestone I deliberations, the Boards concluded that all of the primary measurement basis candidates could be considered from the perspectives of both assets and liabilities. However, the Boards agreed to retain some traditional terminology differences relating to assets and liabilities to facilitate understanding of each of the measurement basis candidates. For example, assets are described as **purchased** or **acquired**, whereas liabilities are **incurred**.

While there are some variations of *current entry price* that traditionally have been discussed only in terms of assets (see 4.b.i through 4.b.iv in Appendix B or C), the primary concept of entry price applies to both assets and liabilities; it is this primary concept that will be evaluated.

Issue 5: Should any measurement basis candidates be eliminated from consideration for evaluation in Milestone II?

The Boards decided not to eliminate any of the measurement basis candidates agreed upon by the end of Milestone I prior to the evaluation process in Milestone II. However, the list of nine candidates is considerably shorter than the list of candidates originally presented to the Boards during the early part of Milestone I. At that time, the staff responded to Board and constituent requests for reduced complexity by regrouping and renaming the original list of measurement basis candidates. They also eliminated some terms that were proposed only for liabilities, but the concepts associated with those terms were not removed; they were simply folded into larger concepts that include both assets and liabilities.

The Boards also eliminated the term *deprival value* from the original list of measurement basis candidates, as they tentatively agreed that deprival value is not a measurement basis in itself. Rather, it is a decision rule for selecting from among a group of measurement bases under certain conditions. The Boards agreed that it is sufficient that the remaining measurement basis candidates include the terms that make up the deprival value decision rule (namely *entry price*, *value in use*, and *exit price*).

Appendix A

Conceptual Framework Project
Measurement Phase Issues

Milestone I: Measurement Bases—Definitions & Properties

M01: What are the measurement basis candidates?

M02: How are the measurement bases defined?

M03: What are the basic properties of the measurement bases?

a. How does each basis relate to prices and values, the building blocks of economic decisions?

b. What is the basic time orientation of each measurement basis?

M04: Are the measurement bases appropriate for both assets and liabilities?

M05: Should any measurement basis candidates be eliminated from consideration for evaluation in Milestone II?

Milestone II: Measurement Bases—Evaluation Using Qualitative Characteristics

M06: Are the measurement bases relevant to the economic decisions of users of general purpose financial reports? Would their use provide confirmatory or predictive value and contribute to timeliness of information in financial reports?

M07: Can the measurement bases be used to create faithful representations in financial reports? Would those representations be verifiable and neutral? Would they contribute to completeness of information in financial reports?

M08: Would using the measurement bases contribute to comparability?

M09: Would using the measurement bases contribute to understandability?

M10: Are there concepts in addition to the qualitative characteristics that should be used to evaluate the measurement bases? (For example, capital maintenance and scientific measurement concepts) If so, how do the bases fare against them?

Milestone III: Measurement Bases—Conclusions and Application

M11: Given the individual evaluations in Milestone II, how do the measurement bases compare with one another? Can they be ranked according to their overall satisfaction of the qualitative characteristics?

M12: Should one measurement basis be used for all financial statement purposes, or could different bases be used for different purposes (for example, initial vs. subsequent measurement, assets vs. liabilities, and different types of assets or liabilities)?

M13: Should the same basis (bases) used for financial statements also be used for other aspects of financial reporting, or could different bases be used outside the financial statements?

M14 What are the practical problems of using the selected basis (bases)? Should the problems preclude their use in some or all situations? Are there ways to address those problems without diminishing the relevance, representational faithfulness, comparability, and understandability of financial reporting representations that use the basis (bases)?

M15: What can standard setters, preparers, and auditors do to improve the quality of accounting measurements that use the selected basis (bases)?

Appendix B

Measurement Basis Candidates by Time Frame
With Their Variations

PAST

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1. ***Past entry price***
   a. without related prices
   b. with related prices

2. ***Past exit price***
   a. without related prices
   b. with related prices

3. ***Modified past amount***
   a. accumulated
   b. allocated
   c. amortized
   d. combined

PRESENT

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4. ***Current entry price***
   a. without related prices
   b. with related prices
      i. identical replacement
      ii. identical reproduction
      iii. equivalent replacement
      iv. productive capacity replacement

5. ***Current exit price***
   a. without related prices
   b. with related prices

6. ***Current equilibrium price***

7. ***Value in use***

FUTURE

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8. ***Future entry price***
   a. without related prices
   b. with related prices

9. ***Future exit price***
   a. without related prices
   b. with related prices

Appendix C

Definitions of Measurement Basis Candidates
Including Examples and Terms Used as Synonyms

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
1. Past entry price	**a. Without related prices** ***Asset:*** The price that an entity would have had to pay in the past in exchange for purchasing its asset, ignoring any prices it would have had to pay for acquisition-related goods or services. *Example: The amount that an entity would have had to pay in the past to purchase an office computer, ignoring any sales tax or VAT, and delivery or shipping charges.* ***Liability:*** (1) The price that an entity would have received in the past in exchange for incurring its liability, ignoring the prices it would have had to pay for incurrence-related goods or services, or (2) an amount imposed in the past for incurring a non-exchange liability. *Example: The proceeds that an entity would have received in the past from issuing a corporate bond, ignoring underwriting costs.*	**Historical cost** **Past purchase price** **Historical cost** **Historical proceeds**

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
1. Past entry price (continued)	**b. With related prices** ***Asset:*** The price that an entity would have had to pay in the past in exchange for purchasing its asset plus the prices it would have had to pay for acquisition-related goods or services. *Example: The amount that an entity would have had to pay in the past to purchase a production machine, including sales tax or VAT, and delivery and installation charges.* ***Liability:*** The price that an entity would have received in the past in exchange for incurring its liability less the prices it would have had to pay for incurrence-related goods or services. *Example: The proceeds that an entity would have received in the past from issuing a corporate bond, net of underwriting costs.*	**Historical cost** **Past purchase price** **Historical cost** **Historical proceeds**
2. Past exit price	**a. Without related prices** ***Asset:*** The price that an entity would have received in the past in exchange for selling its asset, ignoring any prices it would have had to pay for disposition-related goods and services. *Example: The amount that an entity would have received in the past for selling a stock investment, ignoring the broker commission.*	**Past selling price**

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
2. Past exit price (continued)	***Liability:*** The price that an entity would have had to pay in the past in exchange for extinguishing its liability, ignoring any prices it would have had to pay for extinguishment-related goods and services. *Example: The amount that an entity would have had to pay in the past to settle an account payable, ignoring a fee for late payment.* **b. With related prices** ***Asset:*** The price that an entity would have received in the past in exchange for selling its asset less any prices it would have had to pay for disposition-related goods and services. *Example: The amount that an entity would have received in the past for selling a stock investment, net of the broker commission.* ***Liability:*** The price that an entity would have had to pay in the past in exchange for extinguishing its liability plus any prices it would have had to pay for extinguishment-related goods and services. *Example: The amount that an entity would have had to pay in the past to settle an account payable, including a fee for late payment.*	**Past settlement amount** **Past exit value** **Past settlement amount**

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
3. Modified past amount	**a. Accumulated** ***Asset:*** The sum of all entry prices paid in the past to assemble, construct, or augment an asset over an extended period of time, including the prices paid for acquisition-related goods or services. *Example: The accumulation of all amounts that were paid over a three-year period to construct an office building.* ***Liability:*** The sum of all prices received in the past in exchange for incurring multiple obligations within a single liability or incrementally increasing an existing single-obligation liability over an extended period of time, net of the prices paid for incurrence-related goods or services. *Example: The total amount that was drawn down on a construction loan over a three-year period, net of the payments for loan origination fees.* **b. Allocated** ***Asset:*** The amount assigned to an asset after allocating a past entry price to multiple items. *Example: The amount that was assigned to land in the past purchase of land and a building for a single price.*	**Historical cost** **Historical cost** **Historical proceeds** **Historical cost** **Allocated cost**

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
3. Modified past amount (continued)	***Liability:*** The amount assigned to a liability after allocating a past entry price to multiple items. *Example: The amount that was assigned to a bond in the past issuance of the bond and detachable stock purchase warrants for a single proceeds amount.*	**Historical cost** **Historical proceeds**
	c. Amortized ***Asset:*** The remainder of an asset's original past entry price or subsequent past exit price after assigning some of that price to subsequent accounting periods, according to an accounting rule for amortization or depreciation. *Example: The depreciated cost of a vehicle, using straight-line depreciation.* ***Liability:*** The remainder of a liability's original past entry price or subsequent past exit price after assigning some of that price to subsequent accounting periods, according to an accounting rule for amortization. *Example: The amortized proceeds of a corporate bond issue sold at a premium, using straight-line amortization.* **d. Combined** ***Asset:*** The amount assigned to an asset through a combination of accumulation, allocation, and/or amortization of past prices.	**Historical cost** **Depreciated cost** **Amortized cost** **Historical cost** **Amortized cost** **Amortized proceeds** **Historical cost**

Measurement Basis	Definition	Terms Used As Synonyms
	PAST	
3. Modified past amount (continued)	*Example: The amount assigned to an asset that was constructed over time, where allocations of overhead costs were made to the asset, and the asset has been depreciated using straight-line depreciation.* ***Liability:*** The amount assigned to a liability through a combination of accumulation, allocation, and/or amortization of past prices. *Example: The amortized proceeds of a corporate bond issue sold at a premium, using straight-line amortization, where the bond had been sold with warrants and some of the proceeds were allocated to the warrants.*	**Historical cost** **Historical proceeds**

Measurement Basis	Definition	Terms Used As Synonyms
	PRESENT	
4. Current entry price	**a. Without related prices** ***Asset:*** The price that an entity would have to pay currently in exchange for purchasing its asset, ignoring any prices it would have to pay for acquisition-related goods or services. *Example: The amount that an entity would have to pay currently to purchase its headquarters building, ignoring attorneys' fees and closing costs.*	**Current cost** **Market price** **Market value**
	Liability: The price that an entity would receive currently in exchange for incurring its liability, ignoring any prices it would have to pay for incurrence-related goods or services; or an amount that would be imposed on an entity currently for incurring the entity's non-exchange liability. *Example: The amount that a bank would receive currently from a depositor for one of its existing certificates of deposit, ignoring the price of the bank's gift to the depositor for opening the account.*	**Consideration amount** **Current equivalent proceeds** **Current proceeds**
	b. With related prices ***Asset:*** The price that an entity would have to pay currently in exchange for purchasing its asset plus any prices it would have to pay for acquisition-related goods or services. *Example: The amount that an entity would have to pay currently to purchase its headquarters building, including attorneys' fees and closing costs.*	**Current cost**

Measurement Basis	Definition	Terms Used As Synonyms
	PRESENT	
4. Current entry price (continued)	**i. Identical replacement** The current entry price of replacing an existing asset with an identical one by purchase. **ii. Identical reproduction** The current entry price of replacing an existing asset with an identical one by reproduction **iii. Equivalent replacement** The current entry price of replacing an existing asset with an equivalent asset. *Example: The current entry price to replace a used Nikon microscope with a used Leica microscope with the same power and features.* **iv. Productive capacity replacement** The current entry price of replacing the productive capacity of an existing asset with the most current technology available. *Example: The current entry price to replace an air conditioning unit with one that has the same cooling capacity but is more energy efficient.* ***Liability:*** The price that an entity would receive currently in exchange for incurring its liability less any prices it would have to pay for incurrence-related goods or services. *Example: The amount that a bank would receive currently from a depositor for one of its existing certificates of deposit, net of the price of the bank's gift to the depositor for opening the account.*	**Replacement cost** **Reproduction cost** **Replacement cost** **Replacement cost** **Replacement cost** **Current proceeds** **Net proceeds**

Measurement Basis	Definition	Terms Used As Synonyms
	PRESENT	
5. Current exit price	**a. Without related prices**	
	Asset: The price that an entity would receive currently in exchange for selling its asset, ignoring any prices it would have to pay for disposition-related goods or services.	**Fair value** **Market price** **Market value**
	Example: The amount that an entity would receive currently from selling a parcel of land, ignoring an appraisal fee and a real estate transfer tax.	
	Liability: The price that an entity would have to pay currently in exchange for extinguishing its liability, ignoring any prices it would have to pay for extinguishment-related goods or services.	**Current proceeds** **Current settlement value**
	Example: The amount that an entity would have to pay currently to pay off a mortgage loan, ignoring an early payment penalty.	
	b. With related prices	
	Asset: The price that an entity would receive currently in exchange for selling its asset less any prices it would have to pay for disposition-related goods or services.	**Current cash equivalent** **Current exit value** **Current market value** **(Net) realizable value**
	Example: The amount that an entity would receive currently from selling a parcel of land, net of an appraisal fee and a real estate transfer tax.	

Measurement Basis	**Definition**	**Terms Used As Synonyms**
	PRESENT	
5. Current exit Price (continued)	***Liability:*** The price that an entity would have to pay currently in exchange for extinguishing its liability plus any prices it would have to pay for extinguishment-related goods or services. *Example: The amount that an entity would have to pay currently to pay off a mortgage loan, including an early payment penalty.*	**Cost of release** **Current settlement value**
6. Current equilibrium price	***Asset:*** The single equilibrium price for which an asset could be exchanged currently between knowledgeable, willing parties in an arm's-length transaction conducted in an efficient, complete, and perfect market. *Example: The price at which a security could be purchased or sold currently, if the securities markets were efficient, complete, and perfect.* ***Liability:*** The single equilibrium price for which a liability could be exchanged currently between knowledgeable, willing parties in an arm's-length transaction conducted in an efficient, complete, and perfect market. *Example: The price at which an insurance obligation could be incurred or extinguished currently, if the market for insurance contracts was efficient, complete, and perfect.*	**Fair value** **Fair value**

Measurement Basis	Definition	Terms Used As Synonyms
	PRESENT	
7. Value in use	***Asset:*** The value that an entity places on its own asset. In its most sophisticated form, the amount of discounted net cash flow that the entity expects to receive from using its asset, including cash flow from the asset's eventual disposition. *Example: The forecast future cash flows from using a printing press (including cash inflows from printing revenues and the sale of the press at the end of its use, as well as cash outflows for supplies, repairs, and maintenance), discounted at a rate equal to the entity's cost of capital and netted.*	**Discounted value of future cash flows** **Investment value** **Present value** **Present value of future cash flows**
	Liability: The value that an entity places on its own liability. In its most sophisticated form, the amount of discounted net cash flow that the entity expects to pay for having incurred its liability, including cash outflows for carrying costs and for the liability's eventual extinguishment. *Example: The forecast future cash flows for carrying a pension liability (including cash outflows for pension administration and payments to pensioners), discounted at a rate equal to the entity's cost of capital.*	**Discounted value of future cash flows** **Present value** **Present value of future cash flows**

Measurement Basis	Definition	Terms Used As Synonyms
	FUTURE	
8. Future entry price	**a. Without related prices** ***Asset:*** The price that an entity would have to pay in the future in exchange for purchasing its asset, ignoring any acquisition-related goods or services. *Example: The amount that an entity forecasts it would have to pay to purchase a replacement jet airplane eight years in the future, ignoring license fees and taxes.* ***Liability:*** (1) The price that an entity would receive in the future in exchange for incurring its liability, ignoring any incurrence-related goods or services, or (2) the amount that an entity would have to pay in the future because of the imposition of a non-exchange liability. *Example: The amount of premium that an insurance company forecasts it would receive for issuing a life insurance policy three years from now, ignoring the forecast sales commission.* **b. With related prices** ***Asset:*** The price that an entity would have to pay in the future in exchange for purchasing its asset plus any prices it would have to pay for acquisition-related goods or services. *Example: The amount that an entity forecasts it would have to pay to purchase a replacement jet airplane eight years in the future, including license fees and taxes.*	 **Future cost** **Future proceeds** **Future cost** **Future entry value**

Measurement Basis	Definition	Terms Used As Synonyms
	FUTURE	
8. Future entry Price (continued)	***Liability:*** The price that an entity would receive in the future in exchange for incurring its liability less any prices it expects to pay for incurrence-related goods or services. *Example: The amount of premium that an insurance company forecasts it would receive for issuing a life insurance policy three years from now, net of the forecast sales commission.*	**Future entry value** **Future proceeds**
9. Future exit price	**a. Without related prices** ***Asset:*** The price that an entity would receive in the future in exchange for selling its asset, ignoring any prices it would have to pay for disposition-related goods or services. *Example: The amount that an entity forecasts it would receive in exchange for selling its patent five years from now, ignoring legal fees and an intangibles transfer tax.* ***Liability:*** The price that an entity would have to pay in the future in exchange for extinguishing its liability, ignoring any prices it would have to pay for extinguishment-related goods or services. *Example: The amount that an entity forecasts it would have to pay to satisfy a court judgment next year in a lawsuit that the firm expects to lose, ignoring court and attorneys' fees.*	**Future selling price** **Best estimate** **Expected outcome** **Future settlement amount** **Most likely amount** **Undiscounted expected amount**

Measurement Basis	Definition	Terms Used As Synonyms
	FUTURE	
9. Future exit price (continued)	**b. With related prices** ***Asset:*** The price that an entity would receive in the future in exchange for selling its asset less any prices it would have to pay for disposition-related goods or services. *Example: The amount that an entity forecasts it would receive from the sale of its patent five years from now, net of the entity's forecast legal fees and intangibles transfer tax.* ***Liability:*** The price that an entity would have to pay in the future in exchange for extinguishing its liability plus any prices it would have to pay for extinguishment-related goods or services. *Example: The amount that an entity forecasts it would have to pay to satisfy a court judgment next year in a lawsuit that the firm expects to lose, including court and attorneys' fees.*	**Future exit value** **Net market value** **Net realizable value** **Net selling value** **Expected value** **Expected value in due course of business** **Non-discounted amount of expected cash outlay**

MEASUREMENT ATTRIBUTES FOR FINANCIAL STATEMENTS
PROPOSED PROJECT PLAN

The following project work plan should lead to a concepts statement.

BOARD MEETINGS	***TOPICS***
November 2007	Decide scope of project
February 2008	Approve project plan Discuss IASB/FASB "Milestone I" results, including list and definitions of candidates for measurement bases (attributes)
April 2008	Continue discussion of IASB/FASB list and definitions of attributes Discuss whether any additions or deletions are appropriate considering the purposes of ("messages" to be communicated by) federal financial statements
June 2008	Evaluate candidates for attributes using the qualitative characteristics and revise list and definitions as needed Reach tentative consensus on revised list and definitions of attributes
August 2008	Discuss whether, conceptually, one attribute is preferable for all financial statement purposes or whether different attributes may be preferable for different purposes—e.g., initial vs. subsequent measurement, different types of assets and liabilities
October 2008	Decide whether the scope of the project should be expanded to include financial information reported as RSI or OSI If so, discuss whether measurement of the same attribute(s) is conceptually appropriate for all financial information, whether reported in the financial statements or as RSI or OSI
December 2008	Discuss draft exposure draft of a concepts statement
February 2009	Discuss preballot draft exposure draft
April 2009	Ballot and issue exposure draft
May and June 2009	Comment period

June 2009	Possible public hearing Consider preliminary results of responses
August 2009	Redeliberate issues raised by respondents
October 2009	Discuss preballot draft of final concepts statement
December 2009	Ballot final statement